

UNIVERSITY OF CAPE COAST



PERCEIVED INFLUENCE OF FIAGYA RURAL BANK CREDIT ON THE  
LIVELIHOOD OF FARMERS IN NKORANZA NORTH DISTRICT

SAMUEL OPOKU

2022

ii

UNIVERSITY OF CAPE COAST



PERCEIVED INFLUENCE OF FIAGYA RURAL BANK CREDIT ON THE  
LIVELIHOOD OF FARMERS IN NKORANZA NORTH DISTRICT

BY

SAMUEL OPOKU

Dissertation submitted to the Department of Finance, School of Business,  
College of Humanities and Legal Studies, University of Cape Coast in partial  
fulfilment of the requirements for the award of Master of Business  
Administration degree in Finance.

APRIL 2023

## DECLARATION

### Candidate's Declaration

I hereby declare that this dissertation is the result of my own original research and that no part of it has been presented for another degree in this university or elsewhere.

Candidate's Signature.....Date.....

Name: Samuel Opoku

### Supervisor's Declaration

I hereby declare that the preparation and presentation of the dissertation were supervised in accordance with the guidelines on supervision of dissertation laid down by the University of Cape Coast.

Supervisor's Signature.....Date.....

Name: Prof. Anokye M. Adam

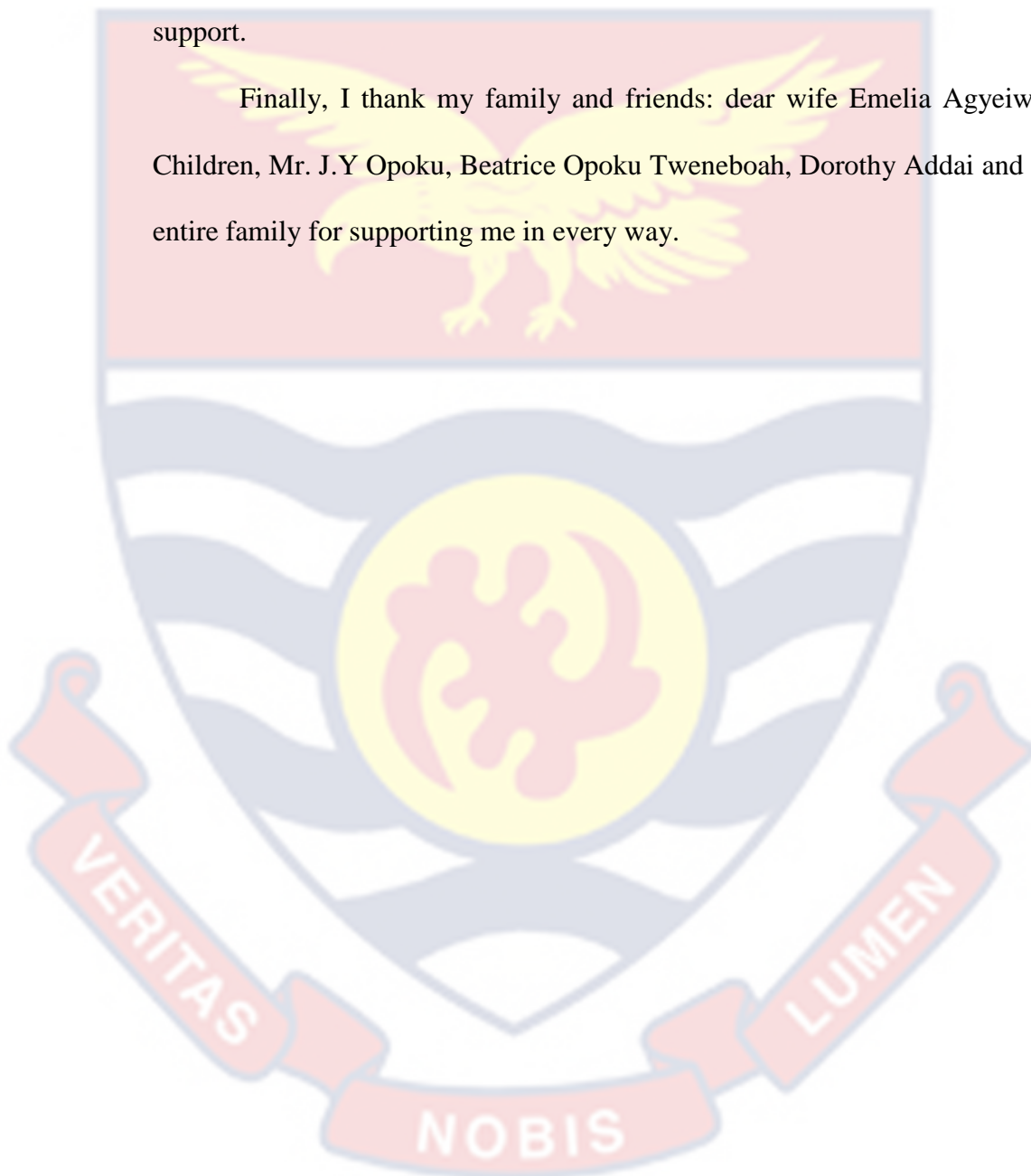
## ABSTRACT

The study examined the perceived influence of Fiagya Rural Bank microcredit on the livelihoods of rural farmers in Nkoranza North District. The study used a descriptive survey design of the quantitative approach. Convenience sampling technique was used to select 217 farmers in Nkoranza district who were also clients of Fiagya Rural Bank Limited. Questionnaire was used as a primary source of data. Furthermore, the data were analysed using percentages, and frequencies. The study found that microcredit highly increased income of the respondents. Also, microcredit highly improve agribusiness of respondents. Moreover, respondents found microcredit very helpful in their agricultural productivity. Also, challenges of respondents in accessing credit from rural bank limited included high interest rate, bureaucracy in processing credit, credit tied to certain ratio of savings, untimely delivery of credit, collateral issues, strict measures and procedures taking into consideration in vetting loan or microcredit applications as well as difficulty in repayment of previous credit or loans. Moreover, coping strategies of respondents included borrowing from family, relatives or friends, access to microcredit from microfinance institutions, reduction of agricultural productivity, selling of belongings as well as engaging in petty trading activities. The study recommended that farmers in the Nkoranza district should have good savings habit in order to avoid any inconveniences in accessing loans from Fiagya Rural Bank Limited. Also, Fiagya Rural Bank Limited should reduce their interest rate. Fiagya Rural Bank Limited should design packages to include group loans in order to cater for farmers who do have collateral issues as well as those with savings issues.

## ACKNOWLEDGEMENTS

My profound gratitude to my supervisor, Prof. Anokye M. Adam, for his patience and guidance throughout the process of writing this dissertation. My appreciation also extends to the late Dr. Otuo Serebua for his words of support.

Finally, I thank my family and friends: dear wife Emelia Agyeiwaa, Children, Mr. J.Y Opoku, Beatrice Opoku Tweneboah, Dorothy Addai and the entire family for supporting me in every way.



## DEDICATION

To my late mother Margaret Addai, my children and Kwasi Nyamaah.



## TABLE OF CONTENTS

	Page
DECLARATION	ii
ABSTRACT	iii
ACKNOWLEDGEMENTS	iv
DEDICATION	v
LIST OF TABLES	ix
LIST OF FIGURES	x
LIST OF ABBREVIATIONS	xi
CHAPTER ONE : INTRODUCTION	
Background to the study	1
Statement of the Problem	3
Purpose of the Study	4
Objectives of the Study	4
Research Questions	4
Significance of the Study	5
Delimitation	5
Limitation	5
Organization of the Study	6
CHAPTER TWO : LITERATURE REVIEW	
Introduction	7
Theoretical Review	7
Empirical review	20
Conceptual Framework	24
Chapter Summary	25

## CHAPTER THREE : RESEARCH METHODS

Introduction	26
--------------	----

Organizational Profile	<b>Error! Bookmark not defined.</b>
------------------------	-------------------------------------

Research Design	28
-----------------	----

Research Approach	28
-------------------	----

Population	29
------------	----

Sampling Procedure	29
--------------------	----

Data Collection Instruments	30
-----------------------------	----

Sources of Data	30
-----------------	----

Data Collection Procedure	31
---------------------------	----

Data Processing and Analysis	31
------------------------------	----

Ethical issues	31
----------------	----

Chapter Summary	32
-----------------	----

## CHAPTER FOUR : RESULTS AND DISCUSSION

Introduction	33
--------------	----

Demographic characteristics of the Respondents	33
--	----

Influence of Fiagya Rural Bank microcredit on farmers' economic activities	36
--	----

Influence of microcredit on farmers' human capital	40
--	----

Influence of microcredit access on farmers' social capital	45
--	----

Challenges that farmers face in accessing microcredit from Fiagya	
---	--

Rural Bank Limited	47
--------------------	----

Coping strategies of the respondents	49
--------------------------------------	----



CHAPTER FIVE : SUMMARY, CONCLUSIONS AND  
RECOMMENDATIONS

Introduction	52
Summary of the Study	52
Major Findings	53
Conclusion	55
Recommendations	56
Suggestion for Further Work	57
REFERENCES	58
APPENDIX	65



**LIST OF TABLES**

Table	Page
1: Demographic Characteristics of the Respondents	34
2: Influence of microcredit on income of the respondents	37
3: Influence of microcredit on agribusiness of the respondents	38
4: Influence of microcredit on agricultural productivity of the respondents	39
5: Overall rate of economic activities by the Respondents	40
6: Enhanced Knowledge of Respondents	41
7: Improvement of Health care of respondents	42
8: Skills Development of Respondents	43
9: Overall rate of Human Capital Development by the Respondents	44
10: Social activities participated by respondents	46
11: Overall rate of social capital of respondents	47
12: Challenges that farmers face in accessing microcredit from Fiagya Rural Bank Limited	48
13: Coping strategies of respondents	49

**LIST OF FIGURES**

Figure	Page
1: Theory on Sustainable Livelihood	11
2: Conceptual framework on effect of access to credit on farmers' livelihood	24
3: Nkoranza North District	26
3: Membership of an association	45



### LIST OF ABBREVIATIONS

ADB	-	Agricultural Development Bank
GDP	-	Gross Domestic Product
IMF	-	International Monetary Fund
PHC	-	Population and Housing Census
SPSS	-	Statistical Package for Social Sciences
SLA	-	Sustainable Livelihood Approach



## CHAPTER ONE

### INTRODUCTION

The issue of whether or not credit facilities actually increase rural farmers' productivity and living conditions hangs in balance (Asiama & Osei, 2007). It is in the sense of this that the study aimed to examine the impact of micro credit from Fiagya Rural Bank on farmers' livelihoods in the Nkoranza North District. The study employed quantitative approach with the aid of questionnaire to solicited for data to achieve this purpose.

#### **Background to the study**

The population of Ghana is mainly rural and, as a result, over 60% of the active working population is in the agriculture sector, which is thought to be the backbone of the economy of the country (Diao Hazell & Thurlow, 2010). Agriculture not only increases malnutrition but also decreases rural people's poverty by food production and its effect on food security, food market stability and lower food prices, but it also impacts jobs and income generation. As a main subsistence technique with little to no alternative means of livelihood, the majority of the rural population relies primarily on small-scale farming.

The IMF (2012) mentioned that about 81 percent of Ghana's farming population is subsistence farmers whose farming depends on their survival. Land that is claimed to be small, ranging from four hectares in the forest ecological zone to 1.2 ha in the inland savannah, is their main subsistence asset base for this technique. For instance, the Nkoranza North covers about 1,374 sq. kilometers (PHC, 2021). This limited land holding scale has an effect on the amount of output and efforts to increase productivity need to be in place as the quantity and efficiency of the crop area decreases. A significant proportion

of the population (81.5 percent) lives in rural areas. For the district, the overall age dependence ratio is 88.5. For rural localities, the age dependence ratio is 90.3 percent, which is higher than that of urban localities (81.2) (PHC, 2021). This calls for the need to develop farming technologies and ergonomics in rural Ghana by providing farmers with credit.

In Ghana, rural credit is encouraged to protect the poor against shocks such as selling productive assets and to shield themselves from potential shocks (Adu, Anarfi, & Poku, 2014). This is to boost farmers' livelihoods. According to Ambali (2013:p3), “the means of subsistence consist of the capabilities, properties, including both material and social wealth, and the activities required for a livelihood”. Livelihood is sustainable because it can both now and in the future deal with and rebound from tension and shocks and conserve or improve its capabilities and properties (Fard, 2008). Access and control focus is influenced by the cultural, political, social and economic settings of the society in which the individual is based. In his concept of subsistence, Ellis (2000) also stressed access to assets and behaviors affected by social connections (gender, class, family, belief systems) and institutions. Therefore, microcredit is the decisive factor that affects the livelihood of farmers.

Credit to farmers has been a major concern for successive governments in Ghana over the years because it is believed to be part of the ways of achieving economic growth in the country. In line with this, the study sought to examine the perceived influence of credit to farmers on their livelihood by using Fiagya Rural Bank.

### Statement of the Problem

Agricultural credit is one of the main initiatives to counter rural poverty and plays an important role in improving agriculture (Meyer & Nagarajan, 2000). As a strategy to improve upon agricultural and rural production, extending the availability of agricultural credit has been widely used (ADB 1998; World Bank, 2000). In an effort to improve productivity and the living standards of rural residents, the Ghanaian government has made many attempts to encourage agriculture. For many causes, these attempts have failed, including the shortage of credit facilities for farmers. The assurance of securities requested by banks is one concern that limit access to credit facilities. The Rural and Community Banks were founded in order to improve the socio-economic conditions of rural communities in Ghana. They were primarily set up to advance loans within their catchment areas to farmers, small firms, individuals and others and also offer ways for individuals to save their surplus capital.

The issue of whether or not credit facilities increase rural farmers' productivity and living conditions hangs in balance (Asiama & Osei, 2007). Several studies conducted focused mainly on the coastal areas where poverty dominant while few studies considered the forest zones. For instance, a study conducted a decade ago by Adams and Bartholomew (2010) considered the impact of microfinance on maize farmers in Nkoranza. It is in the sense of this that the study aimed to examine the perceived influence of micro credit from Fiagya Rural Bank on farmers' livelihoods in the Nkoranza North District. Thus, to analyze farmers who have access to microcredit through the Fiagya Rural Bank and to evaluate the amount of investment between these farmers, the credit accessibility constraints in the district and the means by which the problems

found can be resolved, and to make suggestions and recommendations on the effect of credit supply.

### **Purpose of the Study**

The study aimed to examine the perceived influence of Fiagya Rural Bank credit on the livelihoods of rural farmers in Nkoranza North District.

### **Research Objectives**

1. Examine the perceived influence of credit of Fiagya Rural Bank on farmers' economic activities
2. Analyse perceived influence of credit of Fiagya Rural Bank on farmers' human capital
3. Assess the perceived influence of credit access on farmers' social capital
4. Examine the challenges that farmers faced in accessing credit from financial institutions

### **Research Questions**

1. What are the perceived influence of credit on farmers' economic activities?
2. What are the perceived influence of credit on farmers' human capital?
3. What are the perceived influence of credit on farmers' social capital?
4. What are the challenges that farmers face in accessing credit from financial institutions?



### **Significance of the Study**

It is envisaged that the outcome of this research will encourage farmers' implementation of new farming technologies. The research would also serve as a guide to stakeholders to have a critical look at the bottlenecks associated with credit accessibility and device means of enhancing accessibility by rural farmers which will eventually improve their level of investment in the farming business, their income levels and ultimately their living standards. Lastly, it will complement the existing literature for further studies.

### **Delimitation**

Only farmers in the Nkoranza North District were included. Nevertheless, only farmers with access to credit facilities of the Fiagya rural bank were part of the study. Also, only issues concerning access to microcredit from Fiagya Rural Bank and its effect on the livelihoods of farmers' productivity and investment will be considered. Descriptive design was employed which is quite limited in giving details about situation.

### **Limitation**

There were also financial limitations with regard to the printing of data collection instruments and travelling to study areas. This limited the sample size of the study that may affect the generalization of the study findings. Moreover, for the sake of inferences and generalizations, the issue of exaggerations and manipulation of knowledge by respondents while handing out information would also hinder the extraction of evidence. It was carried out tirelessly to make it reflective and usable in order to expand the information base in this

research field, considering these limits to the analysis. However, the non-probability sampling technique (convenience) limit the generalization of the study findings.

### **Organisation of the Study**

Five major chapters were grouped under this report. Chapter One includes the study introduction, including the statement of the study dilemma, research goals and concerns, the importance of the study, the nature of the study, and the study-related limitations. Section Two reflects on the literature analysis of earlier works pertaining to bad loans. This portion of the report would also discuss performing and non-performing loans, poor credit provisioning, loan-making practices and loan tracking. Under Chapter Three, the specifics of research process and organizational profile were collected, while Chapter Four contains introduction and interpretation of results. Chapter five deals with the study's overview, findings and recommendations.

## CHAPTER TWO

### LITERATURE REVIEW

#### Introduction

This chapter discusses the theories for the study and reviews relevant literature related to the study. With regard to the theoretical lens that underlines the study, the research used the Sustainable Livelihood Theory. Also, the concept of poverty and its measurement, credit, forms and importance of credit and effects of credit on poverty eradication was considered. It further accounted for some empirical studies that are related to this credit of rural banks and poverty eradication among farmers.

#### Theoretical Review

This presents the Sustainable Livelihood Approach, which is a theory on poverty which underpinned this research.

#### Sustainable Livelihood Approach (SLA)

It is argued that recognizing the context in which the intervention takes place is paramount in the assessment of microcredit initiatives from the viewpoint of service consumers. The topic of background in credit, however, receives relatively little attention. Johnson and Rogaly (1997) say that cross-sectional studies frequently do not have time to see the need to understand the complexities of their subsistence methods and the specifics of how the rural poor cope with their finances, giving reasons for this lack of focus to an element of background, livelihood, in rural bank studies.

Given the ongoing challenges of credit, the thesis used the Sustainable Livelihood Approach (SLA) conceptual ideas to tackle the research issue. During a conference arranged by the International Institute of Environment and Sustainability in 1987, the word sustainable livelihood first came into popularity as a development concept, according to Scoones (2009). Sustainable livelihoods are also embedded in an expanded awareness of the 1980s drought and food shortages (Eldis, 2009). This often-cited concept of livelihood as containing the skills, properties and activities for a means of living was suggested by Chambers and Conway (1991). A life is viable because while not weakening the natural resource base, it can cope with and rebound from stresses and shocks, retain or develop its skills and properties.

In disaggregating the Sustainable Living Approach (SLA) definition, the Food Security Analysis Unit (FSAU) (2009) defines livelihood as a people's way of life consisting of the skills, activities and strategies required and used for living by households and individuals. There are different uses of the word sustainability, and Chambers and Conway (1991) address its usage in the discourse of creation. Sustainability generally signifies self-sufficiency and an implied philosophy of self-constraints and self-reliance in the long run. Sustainability refers to the ability to sustain and strengthen livelihoods in the form of social livelihoods while preserving or developing the local and global properties and capabilities on which the livelihood relies (Chambers and Conway, 1991). It is worth noting that this research is not interested in sustainability from an environmental viewpoint. In this analysis, sustainability denotes the capacity to strengthen and preserve a livelihood.

In the study of the principle of livelihood strategies, it is important not only to regard capital (in this case income-generating activities) for its instrumental (assisting to make a living) and emancipatory values (challenging the structures in which one makes a living), but also for their hermeneutic value.” This holistic view means that well-being and poverty are related to livelihood decisions and policies, according to Bebbington (1999). It also increases the perception of how people's talents both contribute to their quality of living and strengthen their capacity to deal with poverty-reducing socioeconomic circumstances. Traditionally, credit literature has appeared to disregard the hermeneutic importance of the poor's economic practices while stressing their instrumental and emancipatory qualities.

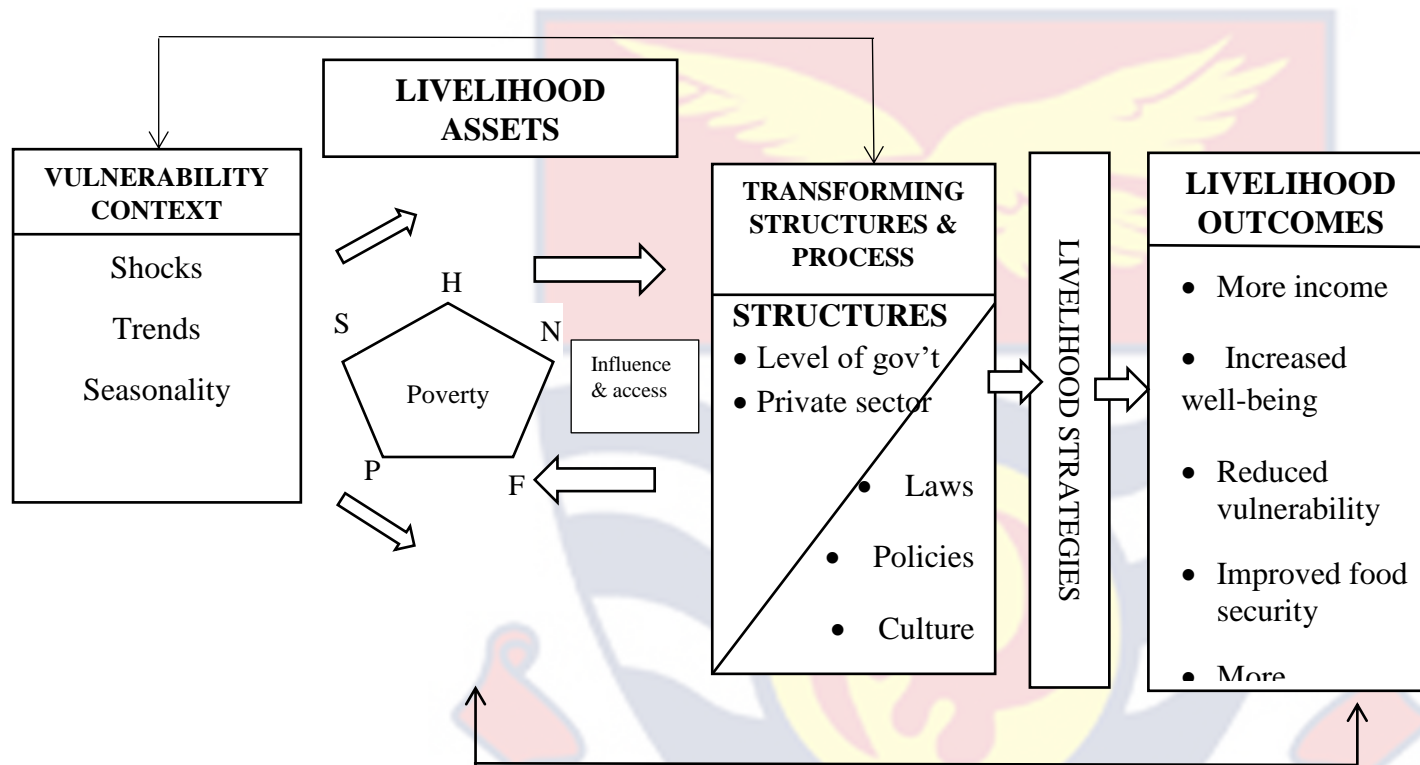
SLA can be viewed in at least three ways: defining how growth interventions should be, in a theoretical sense; as a theory of action or a goal of development; and as an empirical context (Farrington, 2001). The SLA is used in this study as an analytical device, albeit in a restricted way. It does not use any of the constructs of the SLA, but uses the metaphysical concepts behind the SLA. The SLA advises the thesis as an investigative instrument by leading the formulation of research questions to combine consumer viewpoints and provides the ability in the report to analyze the challenges involved in rural livelihoods as a valuable method for understanding micro-credit initiatives (Kaboski & Townsend, 2005). Next the metaphysical foundations of the SLA that direct the analysis are presented.

The SLA positions the vulnerable at the center of research and decides the degree to which initiatives consider the livelihood of people as a basis for action and whether the target group's goals are related to the intervention's

nature and reach (Toner et al., 2004). Instead of capital or organizations and their efficiency, SLA emphasizes individuals, properties and activities (Ellis, 1998, Toner et al., 2004). This allows scholars to examine the degree to which the vulnerable are interested in the production and execution of development programmes. The approach to livelihoods allows researchers to view current trends of livelihoods as a framework for assessing development strategies (Scoones & Wolmer, 2003).

In general terms, SLA seeks a multidimensional view of the dynamic and interconnected existence of livelihoods by individuals and recognizes the multiple rights and properties possessed by individuals in relation to the larger framework of institutions, regulations and cultural norms. Furthermore, as the SLA stresses the importance of listening and learning about poor people's perspectives based on how they negotiate their livelihoods, it could lead to approaches that are in line with poor people's livelihood methods (Carney, 1998; Ellis, 1998).

The solution to sustainable livelihoods acknowledges that the disadvantaged face incredibly dynamic and fragile livelihoods that are subject to a multitude of uncertainties (Figure 1). Scoones and Woolmer (2003) stated that the complementarities and trade-offs between various aspects of livelihood activities are highlighted by livelihood approaches. For instance, a poor person may be a part-time farmer, part-time entrepreneur with respect to credit, and may not want the whole package for a farmer or an entrepreneur, but may want financial livelihood services where those resources are deployed across a variety of activities that make up the current livelihood portfolio.



**Figure 1: Theory on Sustainable Livelihood**

Source: Department for International Development (1999)

The five sets of livelihood assets, which are called capitals, are: human (H), social (S), physical (P), financial (F) and natural (N) capital (Ellis, 2000). According to Ellis (2000), these assets are the indispensable building blocks for livelihood strategies. They are described as the stocks of capital used either directly or indirectly to generate a means of survival or growth (Rakodi & Lloyd-Jones, 2002; DFID, 1999).

Human capital refers to one's skills, knowledge, one's labor, and good health. According to Rakodi (2002), human capital has both quantitative and qualitative dimensions. For instance the quantitative dimension a person's human capital can be the number of members and the time available for them to engage in income-earning activities in a household. The qualitative dimension on the other hand, refers to the levels of education, skills and health status of people that are used to generate income.

Physical capital refers to infrastructure and producer goods that are required to support livelihoods. These according to Rakodi (2002) again include affordable shelter, transportation, clean and affordable energy, access to information, tools and equipment for productive functioning, and adequate water. Financial capital according Ellis (2000) embodies accessibility to cash, or its equivalent, for the pursuit of livelihood strategies. These he said includes available stocks, especially savings that may be held in banks or in liquid assets like jewelry, livestock, or through credit provision and regular flows of money such as earned income, remittances, and social security. Next is the Natural capital available to an individual which are more resource-based activities such as farming, fishing, and gathering as well as land allocation systems, natural



resources use patterns, and natural capital stocks. It is usually based on things obtained from the natural environment.

Last but not the least is Social capital, the most contentious but important when working with marginalized groups of people; It refers to the social resources on which people draw in pursuit of their livelihood objectives (Rakodi, 2002; Mubabgizu, 2003). This type of capital is developed through the inter-related activities of networking. Such networking may be vertical such as in a patron-client relationship, or horizontal, as with individuals with shared interests, that facilitate working together. It also includes access to institutions; membership of formalized groups with associated rules, norms, and sanctions (Ellis, 2000). These kinds of relationships are usually based on trust, reciprocity, and exchange which tend to facilitate co-operation and reduce transaction costs. For migrants, social capital often serves as a basis for informal safety nets (Yeboah, 2008).

### **Empirical review**

This section presents summary on the work of other studies conducted by other researchers and institutions with regards to effects of micro-credit on farmers' productivity, investment and how it contributes to the eradication or reduction of poverty among farmers.

Ayaz and Hussain (2011) point out that the availability of farmers' loans is much more important than any other factor in improving the efficiency of the agricultural sector's use of resources. A cross-sectional survey of 300 farmers in the Faisalbaad District of Pakistan is the subject of their study. They conclude that by using Stochastic Frontier Growth Analysis (SFA), credit to the

agricultural sector has a more constructive and meaningful impact on farmers' technical competitiveness than other variables such as farming experience, education, herd size and number of cultivation practices.

Duy (2012) analysed the impact of agricultural credit on agricultural productivity using quintile regression and Stochastic Frontier Analysis (SFA) techniques to take a sample of 654 farmers from Pakistan's Mekong Delta region. The study concludes that access to capital, education and farm technology has had a positive influence on rice yield and technical productivity. It also reveals that access to the structured credit market has had a greater impact than access to informal credit on the development of rice.

Akram et.al. (2013) note that access to credit results in a greater degree of technical productivity for farmers. Their study is based on a sample survey of 152 farmers in the Sargodha district of the Punjab province of Pakistan. Using stochastic frontier analysis (SFA), the report concludes that agricultural credit in the study area enabled farmers to procure farm inputs in a timely manner, contributing to higher levels of technical productivity.

Ayegba and Ikani (2013) state that unregulated private capital loans are still a significant source of funding for the agricultural sector of Nigeria. Among the main barriers to formal sector agricultural credit are high interest rates, regulatory bottlenecks, late approval of loans and unreasonable collateral demands, among others. They recommend that banks and financial institutions should generate credit instruments and services suited to the risks and cash flow patterns in the agricultural sector. Banks should open new rural branches and remove the need for unnecessary collateral conditions that prohibit farmers from borrowing.

The effect of credit on the gain of rural farmers using the Heckman Selection Model to test the responses from 300 samples was analysed in the case of Dryland of Sudan (Ibrahim & Bauer, 2013). The study findings confirm that farmers who have access to credit are better off than those who do not have such access.<sup>33</sup>

Using time series data from the period 2002-2012, Sharma (2014) analysed the impact of commercial bank agricultural credit on GDP growth in Nepal. Agricultural credit has had a significant and significant effect on Nepal's agricultural GDP, this study finds. However, the use of fertilizer and better seeds has had no significant impact on agricultural GDP. It recommends that the rural financial support system be extended and deepened and that credit for agriculture be encouraged.

Rahman et.al. (2014) indicated that the agricultural credit is shown as a significant determinant of the development of farms. Their research utilizes the logistical regression method on the samples of 300 Bawalpur, Pakistan. They conclude, with the positive relationship between credit and agricultural productivity, that the timely availability of sufficient loans to farmers is advantageous for improving agricultural productivity by allowing them to purchase high yielding crop, fertilizer and pesticide varieties.

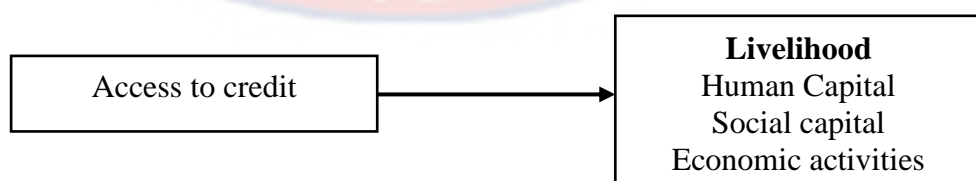
In Ghana, Eliasu et al. (2014) analysed the impact of microfinance on crop production in East Mamprusi District by using the quantitative approach. The study involved 100 farmers of whom questionnaire were administered to them. Chi-square as well as regression were used to analysed the impact of microfinance on crop production and it was found that there was a significant relationship between crop production and microfinance.

Similarly, Bakare (2017) analysed the impact of microfinance on poverty reduction amongst farmers in Ghana. The study used mixed approach where questionnaire were administered to 320 farmer borrowers, 10 semi-structured interviews were conducted for microfinance loan officers and 40 semi-structured interviews were conducted with the service users. It was found that there is a significant relationship between microfinance provision and positive effect on the wellbeing of the microfinance clients and their families as well as their agricultural activities.

Adams and Bartholomew (2010) assess the impact of microfinance on maize farmers in Nkoranza. The study employed a descriptive survey of the quantitative approach. Questionnaire were administered to 100 maize farmers and the data was analysed descriptively using frequencies and percentages. The study found that microfinance had a marginal effect on both the economic and social wellbeing of the recipients of the credit facility.

### Conceptual Framework

This section outlines the conceptual framework based on the literature reviewed. The relationship between the credit and livelihood of farmers and other variables were established. It Shows that, availability of credit to farmers, is in direction of meeting certain needs which will in effect, tend to reduce poverty.



**Figure 2: Conceptual framework on effect of access to credit on farmers' livelihood**

Source: Author Construct (2022)

Figure 2 shows the relationship between access to credit and farmers' livelihood. It depicts that access to credit affect farmers' livelihood such as human capital, Social capital and economic activities. Thus, access to credit affect the education, skills and health of the farmers, social network and economic activities.

### Chapter Summary

The study reviewed literature on the effect of credit on the livelihood of farmers. First, the Sustainable Livelihood Approach was discussed. The empirical literature as well as the conceptual framework of the study was elaborated. It was reviewed that many studies have been conducted globally while least attention has been given to it in Ghana due to paucity of empirical evidence that exist. Among few empirical evidence that exist, most of them focused on the impact of microfinance on poverty reduction, and crop production. This study add up to literature by considering the perceived influence of credit from Fiagya Rural Bank on the livelihood of farmers in Nkoranza.

## CHAPTER THREE

### RESEARCH METHODS

#### Introduction

In carrying out the study to examine the perceived influence of credit on the livelihoods of farmers in Nkoranza North district, this section spells out the appropriate methods used. This section includes information as well as techniques for gathering and interpreting the data on how the study was structured. This includes the nature of study, study area, research design, strategies and procedures for sampling and sample size, population, the resources used to practice data collection, methods of data collection and data sources. In addition, the data collection and analytical method, as well as the ethical problems of the research are discussed.

#### Study Area

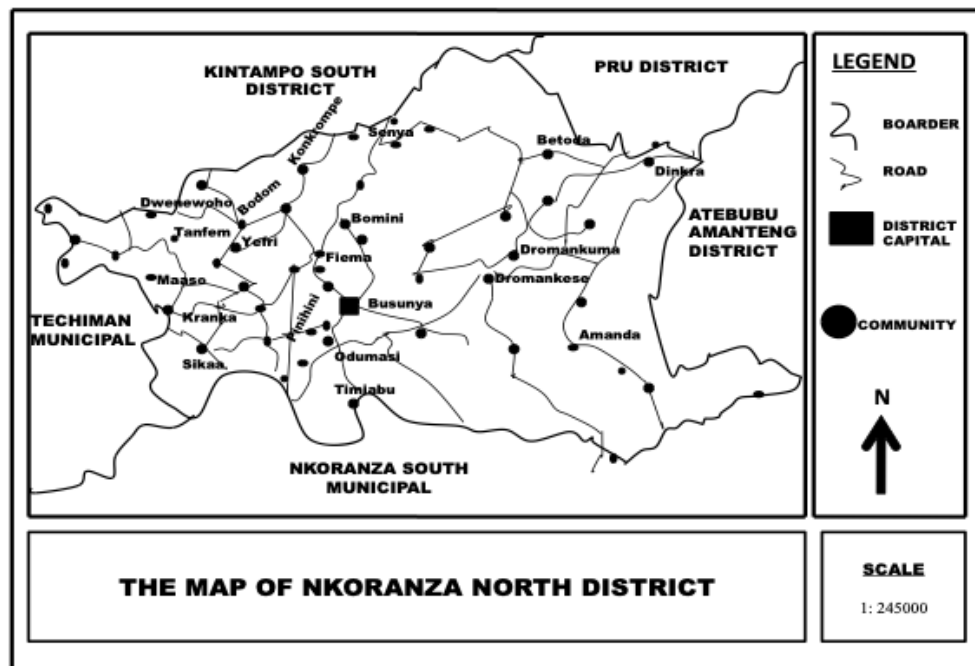


Figure 3: Nkoranza North District

“Nkoranza North District is one of the twenty seven Administrative Districts in the Bono East Region of Ghana with Busunya as its capital. It has a total land area of about 2,322 sq kilometres. The District was carved out of the then Nkoranza District Assembly in 2008 and it lies within longitudes 1o 10` and 1o 55` West, and latitudes 7o 20` and 7o 55` North. The District shares boundaries with Kintampo South and Pru Districts to the North, Nkoranza South District to the South, Atebubu Amantin District to the East and Techiman Municipal to the West. The District has an estimated population size of 70,982 (2013), with a growth rate of 2.5%” (GSS, 2021).

Fiagya rural bank which has its head office at Busunya in the Nkoranza North district has four branches namely; Nkoranza, Techiman, Sunyani (all in Brong Ahafo) and Afrancho in the Ashanti region. “The Bank was issued with a license to commence Banking Operations on 14<sup>th</sup> July 1983 under the Banking Act 1970 (Act 339). The bank started actual operations to the public on 17<sup>th</sup> August 1984. The total workforce is one hundred and two (102), seven (7) directors, eleven management staff. It also has thirty-one thousand, three hundred and ninety-seven (31,397) customers according to important financial indicators of the prudential returns of the bank as at 31<sup>st</sup> December 2016. It has numerous products including; savings account, current account, susu, fixed deposits, foreign and domestic transfers, micro finance loans, credit with education loans (women traders only), overdrafts, salary loans, funeral loans, commercial loans, susu loans among others.”

**Vision of the bank:** To become one of the best Rural Banks in Ghana.

**Mission Statement:** To offer dependable, quality financial international services, by providing a variety of innovative and high quality financial

products and services to its growing clients, for the promotion of accelerated economic growth and development in support of improved quality of life in its chosen areas of operation, through products management and use of the Bank's resources.

**Ownership Structure:** The Bank is owned by various shareholders who are mainly the indigenes of the community who appoint Directors to steer the affairs of the Company through Management.

The study was conducted in Fiagya rural bank limited branch of the Nkoranza North district due to the present of many farmers and also the championing role of Fiagya Rural Bank in providing support to the farmers.

### **Research Design**

A research design is a plan, structure and strategy of an investigation so conceived as to obtain responses to research questions or problems (Kerlinger & Lee, 2000). The descriptive survey design was adopted. Descriptive design help to describe the situation regarding the perceived influence of credit on livelihoods of farmers in Nkoranza North district.

### **Research Approach**

The quantitative process is cost-effective and easy to perform. This opens the door of statistical analysis ranging from basic averages to quantitative equations and abstract formulas (Babbie, 2005). "This approach also encourages patients to engage in the study at a moment that is suitable for them. Therefore, being able to gather data easily without any geographical limitations along with the limited resource on hand are some of the reasons that led to



shaping the choice of the researcher over the others to use quantitative form. A quantitative methodology indicated that the conclusions were unbiased and unrelated to the conditions under which the analysis was performed. A survey, called a quantitative tool, provides the researcher with a lot of knowledge gathered over a relatively brief span of time from a large group of people” (Babbie, 2005:p8).

### **Population**

Population was defined by Amadehe and Gyimah (2002) as the total number of cases that match a specific set of criteria. Farmers in Nkoranza North District were the targeted respondents, however, farmers who were also customers of Fiagya rural bank were accessed for the study. According to the Fiagya rural bank records, 486 farmers have accessed loans from them as at 2018.

### **Sampling Procedure**

Anthony-Krueger and Sokpe (2006) say that a sample is a representative of a larger group. “Sampling techniques enable you to reduce the amount of data you need to collect by considering only data from a subgroup rather than all possible cases or elements” Saunders et al. (2007). Convenience sampling technique was used to select 217 farmers to formed part of the study. The sample size formula was adopted from Yamene (1967) as indicated below;

$$n = \frac{N}{1 + N (e)^2}$$

Where:

n= sample size

N = Population size

e= error of margin

$$n = \frac{486}{1+486(0.05)^2} = 217$$

Therefore, in all, 217 respondents were involved in the study.

### **Data Collection Instruments**

The primary data for this analysis was compiled using the Questionnaire. A questionnaire covers all data collection approaches in which each person is asked to respond in a preset order to the same series of questions (deVaus, 2002). In this study, for those who could not read nor write, the researcher read to them and answered on their behalf based on their responses.

Questionnaires were used to extract the requisite information from the respondents as the main data collection tool. A combination of open-ended and close-ended questions and a variety of portions are sectionalized in the questionnaire. The first segment requested information on the respondents' demographic characteristics. The next section appears to concentrate on the forms and levels of farmers' agricultural production. The other segment also concentrated on the impact of access to microcredit on the expenditure and productivity of farmers.

### **Sources of Data**

Essentially, the primary data source was used. From the responses and information gathered from the questionnaire given to consumers and management, the primary data was gathered

### **Data Collection Procedure**

The researchers' department provided a letter of introduction. Individual involvement, anonymity and confidentiality of responses were outlined in a letter sent to participants. Permission for the instrument's administration was given after making the necessary contact with the management and customers of the Fiagya rural bank. Selected farmers were asked to fill out questionnaires.

### **Data Processing and Analysis**

Analysis of data is a systemic quest for significance. Analysis means the arrangement and interrogation of knowledge in ways that allow researchers to see trends, recognise concepts, discover relationships, establish hypotheses, create interpretations, mount criticisms, or produce theories. Synthesis, estimation, perception, categorization, hypothesizing, contrast, and finding of patterns are also involved (Hatch, 2002).

The study's objectives were kept in mind as the data was collected, categorised, and analysed. Due to the study's focus on descriptive survey design, descriptive statistics including frequency and percentages were used to analyse the perceived influence of credit on farmers' livelihoods in the Nkoranza North District.

### **Ethical issues**

Ethics has to do with employing appropriate method to carry out a study in order not to harm the respondents in any stage of the study. As a researchable subject, the supervisor accepted the study topic and was exempt from hurting the respondents, but from violating advantages to the respondents. The analysis

has guaranteed the respondents' full anonymity and agreement by supplying the respondents with introductory material in order to make an informed decision about whether or not they will participate. The respondents were granted the freedom to withhold information that they could view as private. In addition, before and after the study the researchers ensured that the respondents were not physically or mentally affected. The anonymity of respondents was ensured by using the information obtained only for the purpose of the analysis. In addition, researchers made sure that those whose works were used in the analysis were properly and sufficiently remembered.

### **Chapter Summary**

Fiagya Rural Bank credit was examined to see how it affected rural farmers' livelihoods in Nkoranza North District. A descriptive survey of the quantitative approach was used to conduct the study. Farmers in the Nkoranza North District were the focus of the study. The convenience sampling technique was used to select 217 farmers and questionnaire was administered to them. In addition, SPSS version 21.0 version was used to analyse and interpret the data, which was then represented graphically using Excel.

## CHAPTER FOUR

### RESULTS AND DISCUSSION

#### Introduction

This chapter considered the analysis of the data. The study was to examine the effects of Fiagya Rural Bank credit on the livelihoods of farmers in Nkoranza North District. The study adopted descriptive survey of the quantitative approach where questionnaire was used to gather data from the respondents. The returning rate was 207 out of 217 (95.4%) which was adequate for the analysis. Percentages and frequencies were mainly used to analysed the data with the aid of SPSS software.

#### Demographic characteristics of the Respondents

This part provides information on the demographics of the respondents, including gender, age, marital status, educational status, religious affiliation, and the number of years of operation or experience they have had. Table 1 shows the results of data collection on various demographic factors. Table 1 shows that of the 207 people who took part in the survey, 175 (84.5 %) were men and 32 (15.5 %) were women. As a result, the vast majority of those who took part in this research were men. If you think farming and land tenure systems are typically associated with the masculine, this may be because they are. According to Table 1, 44.4 percent of 207 respondents were between the ages of 40 and 49, 33.3 percent were between the ages of 50 and over 39, and only 7 respondents were under the age of 20.

**Table 1: Demographic Characteristics of the Respondents**

Status	Categories	Frequency	Percent
Sex	Male	175	84.5
	Female	32	15.5
	Total	207	100
Age	Below 20 years	7	3.4
	20 – 29 years	18	8.7
	30 – 39 years	21	10.1
	40 – 49 years	92	44.4
	50 and above years	69	33.3
	Total	207	100
Marital status	Single	35	16.9
	Married	139	67.2
	Divorced	21	10.1
	Widowed	12	5.8
	Total	207	100
Religion	Christian	155	74.9
	Moslem	37	17.9
	Traditionalist	15	7.2
	Total	207	100
Educational Level	No formal education	52	25.1
	Basic education	87	42
	Secondary	46	22.2
	Tertiary	22	10.6
	Total	207	100
Number of children	0 – 3	67	32.4
	4 – 6	53	25.6
	7 or more	87	42
	Total	207	100
Average net monthly income	Below 1000	130	62.8
	1001-2000	54	26.1
	More than 2000	23	11.1
	Total	207	100
Years of operation	Less than a year	11	5.3
	1-5 years	43	20.8
	6-10 years	56	27.1
	11 years and above	97	46.9
	Total	120	100

Source: Field survey (2021)

This means that majority of the respondents who partook in this study were found either 40 years or above. Thus, the majority of farmers were getting

closer to the aged class though they were still considered as youth. This may be due to the land tenure system and the unwillingness of the youth to engage in farming activities.

One hundred and thirty-nine people (67.2 %) were single, while thirty-five (16.0 %) reported being married. Twelve people reported being widowed in Table 1. This may be due to the ages of the respondents since it was found to be more than 30 years which is the idea age for marriage in most of the Ghanaian communities. Also, 74.9 percent of those polled said they were Christians, which is the highest percentage to say they were unaffiliated with any religion at all. This is in line with Ghana's religious demographics. Traditionalists and Muslims comprised 17.9 percent of the remaining respondents. That Christians are the majority religion in the region and the country as a whole has been confirmed by the 2010 Population and Housing Census.

In terms of respondents' educational backgrounds, those who had completed only a primary or secondary education accounted for 42 percent of all respondents, followed by people with no formal education (25 %), and those who had completed a postsecondary degree (22 %). Most of those surveyed had at least some type of formal education. Due to this, they were also able to read and respond to the study's questions. 52 (25.1 %) of the respondents had no formal schooling, thus an interview schedule was created for them. "

The results from Table 1 shows 87 of the respondents have 7 or more children, followed by 67 (32.4%) of the respondents who either do not have a child or have less than 4 children. Also, 53 (25.6%) of the respondents have between 4 and 6 children. Thus, most of the respondents have more than 3 children and this affect their income level as well as their savings in order to

further invest in their agricultural activities to improve upon their standard of living and livelihoods.

On the average monthly income of the respondents, Table 1 shows that 130 (62.8%) of the respondents have below Gh1000, followed by 54 (26.1%) respondents who earned between Ghc 1000-2000. However, only 23 respondents earned more than Ghc 2000. This means that on the average, respondents were receiving less than Ghc 1000 month. This is a true reflection of farmers in the rural areas especially among the small land holding farmers.

Data were gathered on the number of years of farming by the respondents and the result is presented in Table 1. It shows that closer to half of the respondents (97, 46.9) have farmed for 11 years or above, followed by 56 (27.1%) of the respondents who have worked for between 6 and 10 years old and 43 (20.8) of the respondents have farmed between 1 and 5 years. However, only 11 respondents have farmed for less than a year. This means that majority of the respondents have farmed for more than 5 years.

### **Perceived Influence of Fiagya Rural Bank credit on farmers' economic activities**

Objective one sought to examine the influence of credit accessed by respondents on their economic activities. In this study, economic activities included income of respondents for agribusiness, agribusinesses improvement and agricultural productivity. Data were gathered on these indicators and the result is presented in Table 2.



**Table 2: Perceived Influence of credit on income of the respondents**

Response level	Frequency	Percent
Very low	21	10.2
Low	35	16.9
Neutral	5	2.4
High	89	43
Very high	57	27.5
Total	207	100

Source: Field survey (2021)

Poverty can be alleviated by a household's income (Carter & Barret, 2006). In this study, Table 2 shows that 89 (43%) of the respondents agreed to the notion that credit highly increase income levels of the respondents. Only 10.2 percent pointed out that credit affect their income at a lower level or rate and 2.4 percent did not respond to the question. Their observations corroborate literary claims (Armendariz de Aghion & Morduch, 2005; Nghiem, 2007). They have also been able to get cell phones, which have made it easier for them to get pricing and marketing information without having to travel to town. As a result, business expenses have decreased. Table 3 presents on the effect of credit on agribusiness of the respondents.

**Table 3: Perceived Influence of credit on agribusiness of the respondents**

Response level	Frequency	Percent
Very low	19	9.2
Low	31	14.9
Neutral	7	3.4
High	83	40.1
Very high	67	32.4
Total	207	100

Source: Field survey (2021)

Table 3 shows that 83 (40.1%) of the respondents found the effect of credit on agribusiness to be high, followed by 67 (32.4%) of the respondents who found it to be very high while 31 (14.9%) of the respondents rated it as low and was supported by 19 respondents (very low). However, 7 respondents were silence on this notion. Thus, majority of the respondents found the effect of credit on agribusiness as high.

Agri-business is an integral part of agricultural production. It also adds in the establishment of household income. Smallholder farmers in the rural areas face a major constraint of marketing their products. Majority (72.5 %) indicated that credit promotes agri-business. Through credit from Fiagya Rural Bank Limited, respondents are in a position to take their produce to the market. Before the credit from Fiagya Rural Bank Limited, their products used to deteriorate owing to non-delivery.

**Table 4: Perceived Influence of credit on agricultural productivity of the respondents**

Response level	Frequency	Percent
Very low	25	12.1
Low	42	20.3
Fairly high	8	3.9
High	77	37.2
Very high	55	26.6
Total	207	100

Source: Field survey (2021)

Table 4 shows that 77 (37.2%) of the respondents found the effect of credit on agricultural productivity to be high, followed by 55 (26.6%) of the respondents who found it to be very high while 42 (20.3%) of the respondents rated it as low and was supported by 25 respondents who rated it as very low. Moreover, 8 respondents were silence on this notion. In most rural areas of developing countries, agriculture is the primary source of income. There is a heavy reliance on farming as a source of household income in the studied area. Thus, majority of the respondents found the effect of credit on agricultural productivity as high. Only few respondents indicated that credit decreases agriculture. This assertion supports Zeller and Sharma (2002) and IFAD (2007) that credit increases agricultural productivity. Simialry, Awotide et al. (2015) employed a stochastic production frontier model to investigate the influence that the availability of credit has on the cocoa producers in Nigeria's level of technical efficiency. The authors came to the conclusion that having access to credit is associated with a higher level of technical efficiency. This is due to the

fact that farmers who have access to formal credit adopt more efficient production techniques and make better use of their production inputs, which allows them to produce closer to their production frontier.

**Table 5: Overall rate of economic activities by the Respondents**

Response level	Frequency	Percent
Low	40	19.3
Neutral	7	3.4
High	160	77.3
Total	207	100

Source: Field survey (2021)

With regards to the overall rate of economic activities, Table 5 shows that 160 (77.3%) of the respondents found the overall effect as high while 40 (19.3%) of the respondents rated it as low. Besides, 7 (3.4%) of the respondents were indecisive on this matter. Thus, majority of the respondents rated the effects of credit on economic activities as high.

#### **Perceived Influence of credit on farmers' human capital**

This objective sought to examine respondent's human capital development as a result of access to credit from the Fiagya Rural Bank. Human capital includes labour, education, skills, health and so on available to the households (Ellis, 2000). Therefore, data were gathered on agricultural education, health and skills development of respondents and the result is presented in Table 6, 7, 8, and 9.

**Table 6: Enhanced Knowledge of Respondents**

Response level	Frequency	Percent
Very low	35	16.9
Low	24	11.6
Fairly high	3	1.5
High	93	44.9
Very high	52	25.1
Total	207	100

Source: Field survey (2021)

On agricultural education, Table 6 shows that 93 (44.9%) of the respondents found the effect of credit on agricultural education as high, followed by 52 (25.1%) of the respondents who found it to be very high while 24 (11.6%) of the respondents rated it as low. Also, 35 (16.9%) of the respondents rated it as very low while 8 respondents were silence on this notion. Thus, majority of the respondents found the effect of credit on agricultural education as high.

The development of human capital required for sustainable lives is made possible in large part by agricultural education. According to human capital theories, education has a significant impact on both productivity and well-being. Human capital, according to Lepak and Snell (1999), is a critical component in any environment that seeks to maximize output and remain competitive. Accordingly, the value of human capital is intrinsically linked to its ability to increase output. An increase in the level of living can be achieved by employing more educated people. Because they are creative, people in a highly educated society are better able to withstand shocks.

**Table 7: Improvement of Health care of respondents**

Response level	Frequency	Percent
Very low	17	8.2
Low	23	11.1
Fairly high	13	6.3
High	85	41.1
Very high	69	33.3
Total	207	100

Source: Field survey (2021)

On health of the respondents, the study found that 85 (41.1%) of the respondents found the effect of credit on their health as high, followed by 69 (33.3%) of the respondents who found it to be very high while 23 (11.1%) of the respondents rated it as low (Table 7). Moreover, 17 (8.2%) of the respondents rated it as very low and 13 (6.3%) of the respondents were neutral to decide on this notion. It implies that majority of the respondents found high effect of credit on their health care. Therefore, majority have enrolled on the National Health Insurance Scheme and are able to cater for the health needs such as medicines and consultation fee.

**Table 8: Skills Development of Respondents**

Response level	Frequency	Percent
Very low	18	8.7
Low	27	13
Neutral	15	7.2
High	84	40.6
Very high	63	30.4
Total	207	100

Source: Field survey (2021)

Developing one's skills, say Jayachandran and Lleras-Muney (2009), allows one to have a more fruitful and fulfilling life with a higher standard of living. Skills development is key when it comes to human capital, therefore, data were gathered and the result is presented in Table 8. It shows that 84 (40.6%) of the respondents found the effect of credit on skills development as high, followed by 63 (30.4%) of the respondents who found it as very high whereas 27 (13%) of the respondents rated it as low and 18 respondents who rated it as very low. Moreover, 15 respondents were silence on this notion. Thus, majority of the respondents found that there was high effect of credit on skills development.

**Table 9: Overall rate of Human Capital Development by the Respondents**

Response level	Frequency	Percent
Low	32	15.5
Neutral	21	10.1
High	154	74.4
Total	207	100

Source: Field survey (2021)

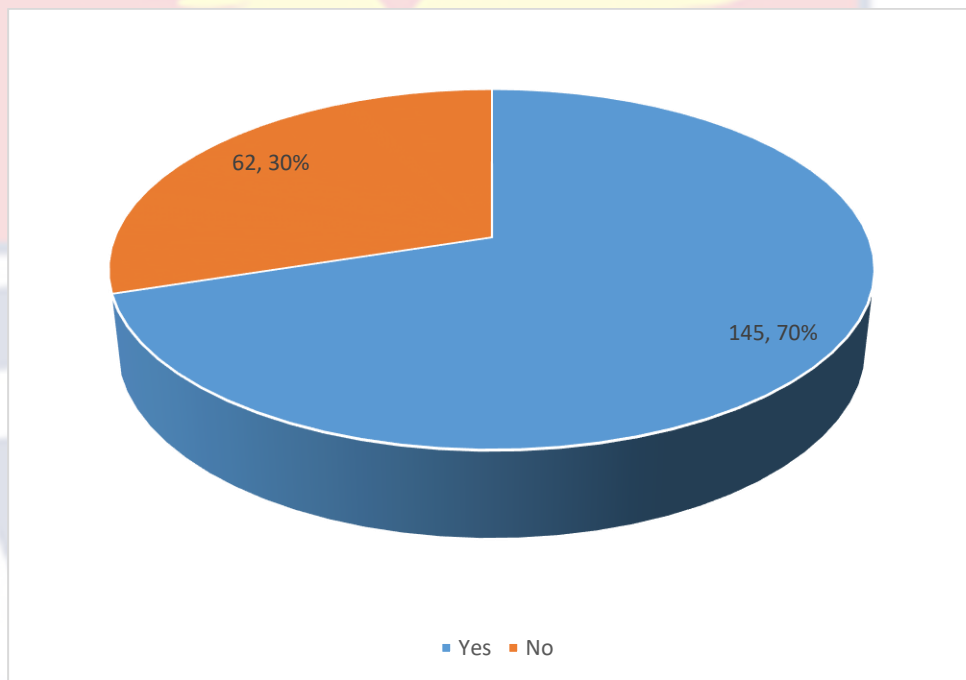
With regards to the overall ratings of the human capital development of the respondents, Table 9 shows that 154 (74.4%) of the respondents found the overall effect as high while 32 (15.5%) of the respondents rated it as low. Moreover, 21 (10.1%) of the respondents were indecisive on this matter. Thus, majority of the respondents rated the overall effects of credit on human capital development as high. The results admit that Fiagya Rural Bank Limited facilitate skill development, enhanced knowledge and health power as indicated by the conceptual basis.

The findings suggest that access to credit has a positive effect on the skills of farmers, thus, human development. This permit the farmers to adopt new agricultural technologies and the intensification of the use of fertilizers and pesticides. Access to finance had a good and significant impact on the adoption of a novel rice variety in Bangladesh that had a high yield, as demonstrated by Islam et al. (2012). In a similar vein, households that had access to formal credit had a relatively greater adoption rate of inputs in comparison to households that did not have access to credit (Tadesse, 2014).



### Perceived Influence of credit access on farmers' social capital

“Social capital refers to the social resources on which people draw in pursuit of their livelihood objectives” (Rakodi, 2002). It includes religion, political affiliations, associations and unions, therefore, data were gathered on these elements and the results are presented subsequently in Figure 3 and Table 10, and 11.



**Figure 3: Respondents' Membership of any association in the community**

Source: Field survey (2021)

Figure 3 shows that 145 (70%) of the respondents agreed that they belong to at least an association in their community while 62(30%) of the respondents did not agree. Thus, most of the respondents had social capital through the link or association among members of the association they join and help they easily get from members of these association. Moser (1998) argues that social capital “increase reliance on informal credit arrangements” (Moser,

1998). The motion signifies the degree of inclusiveness within the society that is based on trust.

**Table 10: Social activities participated by respondents**

Social activities	Yes (F/%)	No (F/%)
Church/mosque activities	180 (86.9)	27 (13.1)
Funerals	162 (78.3)	45 (21.7)
Parties/weddings	147 (71)	60 (29)
Association meetings	153 (73.9)	54 (26.1)
Family/community meetings	132 (63.8)	75 (36.2)

Source: Field survey (2021)

Table 10 shows that 180 (86.9%) of the respondents agreed that with the provision of credit, they are able to attend church or mosque meetings, followed by 162 (78.3%) of the respondents who are able to attend to funerals, parties/weddings (147, 71%), association such as land lords, cocoa farmers' association among others in their community as well as family or community meetings.

With access to credit, respondents are now able to attend to such social gatherings as well as contributing for the success of these programs. Through these meetings, respondents are able to socialize and create network of farmers as well as agribusiness for further business activities in order to obtain help from these people in hard times or incontinency situations. "Social capital associates networks and associations which include religion, gender, caste status, roles, ethnicity and others" (Ellis, 2000: p5).

**Table 11: Overall rate of social capital of respondents**

Response level	Frequency	Percent
Low	41	19.8
Neutral	21	10.1
High	145	70.1
Total	207	100

Source: Field survey (2021)

With regards to the overall ratings of the social capital development of the respondents, Table 11 shows that 145 (70.1%) of the respondents found the overall effect as high while 41 (19.8%) of the respondents rated it as low. Moreover, 21 (10.1%) of the respondents were silence on this matter. This implies that majority of the respondents rated the overall effects of credit on social capital development as high. This is a platform for non-official or financial assistance/relief from association members, family, friends and relatives as well as religious or political affiliation members in critical moment.

### **Challenges that farmers face in accessing credit from Fiagya Rural Bank Limited**

This section analyses data pertaining to the fourth objective of the study which sought to determine the challenges faced by farmers in accessing credit from Fiagya rural bank limited. To answer this research objective, section three of the questionnaire was used. Respondents were to indicate the challenges affecting farmers in their bid to access credit. The results are indicated in Table 12.

**Table 12: Challenges that farmers face in accessing credit from Fiagya Rural Bank Limited**

Statement	% of agreement
Bureaucracy in the processing of credit	178(86%)
High interest rate	185 (89.4%)
Inability to provide the collateral securities in cases where they are demanded	132 (63.8%)
Difficulty in repayment of previous facility	122 (59%)
Untimely delivery of credit	139 (67.2%)
Credit is tied to a certain ration of savings	142 (68.6%)
The strictness of financial institutions when vetting for loans applications	128 (61.8%)

Source: Field survey (2021)

The results from Table 12 reveal that majority of the respondents (89.4%) agreed that high interest rate restrict them from accessing credit from Fiagya Rural Bank Limited. This was followed by 178 (86%) of the respondents who found bureaucracy in the processing of credit, credit is tied to a certain ratio of savings (142, 68.6%), and untimely delivery of credit (139, 67.2%). They also accepted the fact, they are usually confronted with the issue of collateral as one major challenge to their access to loans, 63.8 percent of the respondents agreed to this. Moreover, strict measures and procedures taking into consideration in vetting loan or credit applications is a challenge to their access to credit (128, 61.8%). Furthermore, a little above half of the respondents (122, 59%) found repayment of previous facility as difficult.

### Coping strategies of the respondents

In addition to the assets and opportunities available to men and women, as well as changes in the vulnerability context, livelihood strategies are influenced by the choices and preferences of respondents, according to the findings of the study. This objective sought to examine the various coping strategies employed by the respondents in times of inaccessibility to credit from Fiagya Rural Bank Limited. Data were gathered on this and the result is presented in Table 13.

**Table 13: Coping strategies of respondents**

Response level	Frequency	Percent
Borrowing from family/friends	81	39.1
Selling of belongings	31	15
Borrowing from microfinance	42	20.3
Reduction in agricultural productivity	37	17.9
Engage in petty trading	16	7.7
Total	207	100

Source: Field survey (2021)

Among the challenges faced by respondents in quest to access credit from Fiagya Rural Bank Limited, respondents may adopt to strategies in order to cope with such situation. According to Table 13, 81 (39.1%) of the respondents agreed that they cope with such situation by borrowing from family, relatives or friends in order to survive. This was followed by 42 (20.3%) of the respondents who access credit from microfinance institutions, 37 (17.9%) of the respondents identified reduction in agricultural productivity. Others too

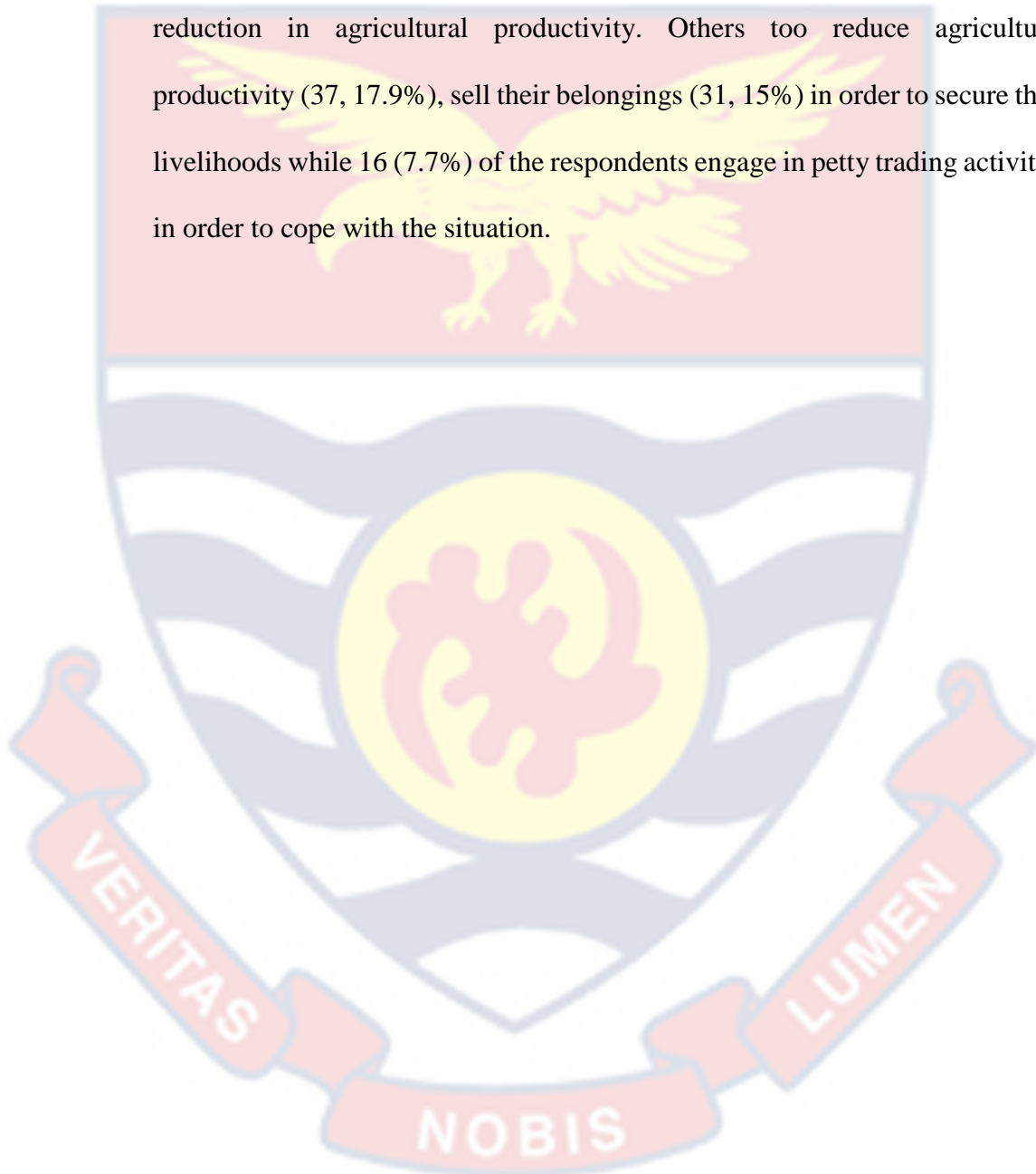
reduce agricultural productivity (37, 17.9%) sell their belongings (31, 15%) in order to secure their livelihoods while 16 (7.7%) of the respondents engage in petty trading activities in order to cope with the situation.

### Chapter Summary

The study found that majority (160, 77.3%) of the respondents found the overall effect of credit facility on agricultural productivity as high while 40 (19.3%) of the respondents rated it as low. On agricultural education, most of the respondents found the effect of credit on agricultural education as high. Furthermore, 84 (40.6%) of the respondents found the effect of credit on skills development as high. Overall, majority (74.4%) of the respondents rated the effects of credit on human capital development as high. With social capital, most (145, 70.1%) of the respondents found the overall effect of access to credit to their social capital as high while 41 (19.8%) of the respondents rated it as low.

Majority of the respondents (89.4%) agreed that high interest rate restrict them from accessing credit from rural bank, 178 (86%) of the respondents who found bureaucracy in the processing of credit, credit is tied to a certain ratio of savings (142, 68.6%), and untimely delivery of credit (139, 67.2%). They were usually confronted with the issue of collateral as one major challenge to their access to loans, 63.8 percent of the respondents agreed to this. Moreover, strict measures and procedures taking into consideration in vetting loan or credit applications is a challenge to their access to credit (128, 61.8%). Furthermore, a little above half of the respondents (122, 59%) found repayment of previous facility as difficult.

On coping strategies, 81 (39.1%) of the respondents agreed that they cope with such situation by borrowing from family, relatives or friends in order to survive. This was followed by 42 (20.3%) of the respondents who access credit form microfinance institutions, 37 (17.9%) of the respondents identified reduction in agricultural productivity. Others too reduce agricultural productivity (37, 17.9%), sell their belongings (31, 15%) in order to secure their livelihoods while 16 (7.7%) of the respondents engage in petty trading activities in order to cope with the situation.



## CHAPTER FIVE

### SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

#### Introduction

The important observations and the useful knowledge gained or accomplished by this research have been carefully outlined in this chapter. The chapter consists of the research review and the inference taken from this research report. From the review of the available data in this report, important recommendations for further studies were also given.

#### Summary of the Study

The study was to examine the effects of Fiagya Rural Bank credit on the livelihoods of rural farmers in Nkoranza North District. Specifically, it sought to; examine the effects of access to credit on farmers' economic activities; estimate the effects of access to credit on farmers' human capital; estimate the effects of credit access on farmers' social capital; examine challenges that farmers faced in accessing credit from financial institutions; and identify coping strategies of farmers on inaccessibility to credit.

The study used a descriptive survey design of the quantitative approach. Convenience sampling technique was used to select 217 farmers in Nkoranza district who were also clients of Fiagya Rural Bank Limited. Questionnaire was used as a primary source of data. Furthermore, the data were analysed with the help of statistical software known as Statistical Product for Service Solution (SPSS version 21.0) by employing statistical techniques such as percentages, frequencies, means as well as standard deviations. This was presented by using tables and charts.



## Major Findings

- The study found that 89 (43%) of the respondents agreed to the notion that credit highly increase income levels of the respondents. Only 10.2 percent pointed out that credit affect their income at a lower level or rate and 2.4 percent did not respond to the question. Also, 83 (40.1%) of the respondents found the effect of credit on agribusiness to be high, followed by 67 (32.4%) of the respondents who found it to be very high while 31 (14.9%) of the respondents rated it as low and was supported by 19 respondents (very low). Thus, majority of the respondents found the effect of credit on agribusiness as high. Moreover, 77 (37.2%) of the respondents found the effect of credit on agricultural productivity to be high, followed by 55 (26.6%) of the respondents who found it to be very high while 42 (20.3%) of the respondents rated it as low and was supported by 25 respondents who rated it as very low. Majority of the respondents found the effect of credit on agricultural productivity as high. Only few respondents indicated that credit decreases agriculture. In all, majority (160, 77.3%) of the respondents found the overall effect as high while 40 (19.3%) of the respondents rated it as low.
- On agricultural education, 93 (44.9%) of the respondents found the effect of credit on agricultural education as high, followed by 52 (25.1%) of the respondents who found it to be very high while 24 (11.6%) of the respondents rated it as low while 35 (16.9%) of the respondents rated it as very low. Thus, majority of the respondents found the effect of credit on agricultural education as high. Furthermore, 84 (40.6%) of the respondents found the effect of credit on skills development as high,

followed by 63 (30.4%) of the respondents who found it as very high whereas 27 (13%) of the respondents rated it as low and 18 respondents who rated it as very low. Overall, majority (74.4%) of the respondents rated the effects of credit on human capital development as high.

- With social capital, most (145, 70%) of the respondents agreed that they belong to at least an association in their community while 62(30%) of the respondents did not agree. Thus, most of the respondents had social capital through the link or association among members of the association they join and help they easily get from members of these association. Also, majority (180, 86.9%) of the respondents agreed that with the provision of credit, they are able to attend church or mosque meetings, followed by 162 (78.3%) of the respondents who are able to attend to funerals, parties/weddings (147, 71%), association such as land lords, cocoa farmers' association among others in their community as well as family or community meetings. In summation, most (145, 70.1%) of the respondents found the overall effect as high while 41 (19.8%) of the respondents rated it as low.
- Majority of the respondents (89.4%) agreed that high interest rate restrict them from accessing credit from rural bank. This was followed by 178 (86%) of the respondents who found bureaucracy in the processing of credit, credit is tied to a certain ratio of savings (142, 68.6%), and untimely delivery of credit (139, 67.2%). They also accepted the fact, they are usually confronted with the issue of collateral as one major challenge to their access to loans, 63.8 percent of the respondents agreed to this. Moreover, strict measures and procedures

taking into consideration in vetting loan or credit applications is a challenge to their access to credit (128, 61.8%). Furthermore, a little above half of the respondents (122, 59%) found repayment of previous facility as difficult.

- On coping strategies, 81 (39.1%) of the respondents agreed that they cope with such situation by borrowing from family, relatives or friends in order to survive. This was followed by 42 (20.3%) of the respondents who access credit form microfinance institutions, 37 (17.9%) of the respondents identified reduction in agricultural productivity. Others too reduce agricultural productivity (37, 17.9%) sell their belongings (31, 15%) in order to secure their livelihoods while 16 (7.7%) of the respondents engage in petty trading activities in order to cope with the situation.

### **Conclusion**

The descriptive survey was conducted well and adhere to principles and methodology, Hence, the following conclusions are made from the study. Credit highly increase income of the respondents. Also, credit highly improve agribusiness of respondents. Moreover, respondents found credit very helpful in their agricultural productivity.

On human capital, credit influence cannot be undermined. It improves the agricultural education of the respondents, improves upon their health as well as enhancing their skills development.

Also, credit forms the back bone of social capital of respondents. It influences respondents' enrollment and participation in community meetings,

funerals, parties/weddings, farmers' association as well as religious or political party.

Moreover, challenges of respondents in accessing credit from rural bank limited included high interest rate, bureaucracy in processing credit, credit tied to certain ratio of savings, untimely delivery of credit, collateral issues, strict measures and procedures taking into consideration in vetting loan or credit applications as well as difficulty in repayment of previous credit or loans.

Lastly, coping strategies of respondents included borrowing from family, relatives or friends, access to credit from microfinance institutions, reduction of agricultural productivity, selling of belongings as well as engaging in petty trading activities.

### **Recommendations**

Farmers in the Nkoranza district should improve upon their savings habit in order to avoid any inconveniences in accessing loans from Fiagya Rural Bank Limited. Also, fiagya Rural Bank Limited should reduce their interest rate in order to boost the morale of farmers to borrow more since it really affect their agricultural productivity as well as agribusiness. Moreover, Fiagya Rural Bank Limited should streamline and simplify their loan application processing and given out of credit in order to reduce the bureaucracy as well as untimely delivery of credit. Lastly, Fiagya Rural Bank Limited should design packages to include group loans in order to cater for farmers who do have collateral issues as well as those with savings issues.

### Suggestion for Further Work

It suggested for future research that, the study should be conducted on more than one rural bank in another District of interest so as to validate the findings of this study. Others can consider the impact of credit on the livelihoods of farmers in the Nkoranza district.



## REFERENCES

- Adu, J. K., Anarfi, B. O., & Poku, K. (2014). The Role of Microfinance on Poverty Reduction: A Case Study of Adansi Rural Bank in Ashanti Region, Ghana. *Social and Basic Sciences Research Review*, 2(3), 96-109.
- Adams, S., & Bartholomew, T. A. (2010). The impact of microfinance on maize farmers in Nkoranza (Brong Ahafo Region of Ghana). *Journal of Management Research*, 2(2), 1.
- Agricultural Development Bank [ADB] (1998). Annual Report 1998. Agricultural Development Bank. Retrieved from <https://www.afdb.org/en/documents/african-development-bank-annual-report-1998> on 21/8/2021
- Akram, S., & Routray, J. K. (2013). Investigating causal relationship between social capital and microfinance. *International Journal of Social Economics*, 2(3), 21-34
- Ambali, O. I. (2013). Microcredit and technical efficiency of rural farm households in Egba division of Ogun State Nigeria. *Journal of Agriculture and Sustainability*, 2(2), 54-67
- Amadehe, A. & Gyimah, A. (2002). Fundamentals of educational methods. Cape Coast: Mimegraph, UCC.
- Anthony-Krueger, C., & Sokpe, B. Y. (2006). A guide to writing successful long essay and thesis. Cape Coast: Yacci Press UCC.
- Armendáriz de Aghion, B., & Morduch, J. (2005). The Economics of Microfinance MIT Press. Cambridge, Massachusetts.

Armendáriz de Aghion, B., & Morduch, J. (2000). Microfinance beyond group lending. *Economics of transition*, 8(2), 401-420.

Asiama, J. P., & Osei, V. (2007). Microfinance in Ghana: an overview. *Accra, Ghana: Research Department, Bank of Ghana*.

Awotide, B. A., Abdoulaye, T., Alene, A., & Manyong, V. M. (2015). Impact of access to credit on agricultural productivity: Evidence from smallholder cassava farmers in Nigeria (No. 1008-2016-80242).

Ayaz, S., & Hussain, Z. (2011). Impact of institutional credit on production efficiency of farming sector: A case study of District Faisalabad. *Pakistan economic and social review*, 149-162.

Ayegba, O., & Ikani, D. I. (2013). An impact assessment of agricultural credit on rural farmers in Nigeria. *Research Journal of finance and Accounting*, 4(18), 80-89.

Babbie, E. (2005). Truth, objectivity, and agreement. *The production of reality: essays and readings on social interaction*, 36(9), 21-25

Bakare, F. A. (2017). *The Impact of Microfinance on Poverty Reduction Amongst Farmers in Ghana* (Doctoral dissertation, Birmingham City University).

Bebbington, A. (1999). Capitals and capabilities: a framework for analyzing peasant viability, rural livelihoods and poverty. *World development*, 27(12), 2021-2044.

Carney, D. (1998). *Sustainable rural livelihoods: implementing the sustainable rural livelihoods approach. What contribution can we make?* London: Department for International Development.

- Carter, M. R., & Barrett, C. B. (2006). The economics of poverty traps and persistent poverty: An asset-based approach. *The Journal of Development Studies*, 42(2), 178-199.
- Chambers, R., & Conway, G. (1992). *Sustainable rural livelihoods: practical concepts for the 21st century*. Institute of Development Studies (UK).
- Chambers, R., & Conway, G. (1991). Sustainable rural livelihoods: Practical concepts for the 21st century (IDS Discussion Paper No. 296). Brighton, United Kingdom: Institute of Development Studies.
- Department for International Development (DFID) (1999). Sustainable guidance sheets. London. Retrieved from <http://www.livelihoods.org> access on 05/10/21
- De Vaus, D. (2002). *Analyzing social science data: 50 key problems in data analysis*. sage.
- Diao, X., Hazell, P., & Thurlow, J. (2010). The role of agriculture in African development. *World development*, 38(10), 1375-1383.
- Duy, V. Q. (2012). Impact of differential access to credit on long and short term livelihood outcomes: group-based and individual microcredit in the Mekong Delta of Vietnam.
- Eliasu, N., Inusah, A. H., Ama, G. R., & Sano, Z. M. (2014). Impact Analysis of Microfinance on Crop Production in Ghana. *International Journal of Academic Research in Accounting, Finance and Management Studies*, 4, 98-108
- Ellis, F. (1998). Household strategies and rural livelihood diversification. *The journal of development studies*, 35(1), 1-38.



Ellis, F. (2000). *Rural livelihoods and diversity in developing countries*. Oxford university press.

Fard, A. O. (2008). Identification of the effects of micro-credits on different aspects of the lives of rural women in Markazi province, Iran.

Farrington, J. (2001). *Sustainable livelihoods, rights and the new architecture of aid*. Natural Resource Perspectives 69, Overseas Development Institute: London.

Food Security Analysis Unit (FSAU) 2009. Conceptual models. FSNAU Technical Series Report No VII. 54. [http://www.fsasomali.org/200513113441\\_conceptual\\_models.php](http://www.fsasomali.org/200513113441_conceptual_models.php) Accessed on 15/01/2021 at 4.54pm

Ghana Statistical Service (2021). 2021 Population and Housing Census - National Analytical Census Report. Ghana Statistical Service.

Ghana Statistical Service (2010). Population and Housing Census 2010. Ghana Statistical Service.

Hatch, J. A. (2002). *Doing qualitative research in education settings*. Suny Press.

Ibrahim, A. H., & Bauer, S. (2013). Access to micro credit and its impact on farm profit among rural farmers in dryland of Sudan. *Global Advanced Research Journal of Agricultural Science*, 2(3), 88-102.

IFAD (2007). IFAD Strategy for Knowledge Management – For Approval. Executive Board — Ninetieth Session Rome, 17-18 April 2007.

IMF (International Monetary Fund) (2012). Financial Access Survey 2012. Washington, D.C.

- Jayachandran, S., & Lleras-Muney, A. (2009). Life expectancy and human capital investments: Evidence from maternal mortality declines. *The Quarterly Journal of Economics*, 124(1), 349-397.
- Johnson, S., & Rogaly, B. (1997). *Microfinance and poverty reduction*. Oxfam.
- Kaboski, J. P., & Townsend, R. M. (2005). Policies and impact: An analysis of village-level microfinance institutions. *Journal of the European Economic Association*, 3(1), 1-50.
- Kerlinger, F. N., Lee, H. B., & Bhanthumnavin, D. (2000). Foundations of Behavioral Research: The Most Sustainable Popular Textbook By Kerlinger & Lee (2000).
- Lepak, D. P., & Snell, S. A. (1999). The human resource architecture: Toward a theory of human capital allocation and development. *Academy of Management Review*, 24(1), 31-48.
- Meyer, R., & Nagarajan, G. (2000). *Rural Financial Markets in Asia: Policies Paradigms, and Performance* (Vol. 3). Asian Development Bank.
- Moser, C. O. (1998). The asset vulnerability framework: reassessing urban poverty reduction strategies. *World Development*, 26(1), 1-19.
- Nghiem, H. S. (2007). The efficiency and effectiveness of microfinance: evidence from programs of non-governmental organisations in Vietnam.
- Rahman, S., Hussain, A. & Taqi, M. (2014). Impact of agricultural credit on agricultural productivity in Pakistan: an empirical analysis. *International Journal of Advanced Research in Management and Social Sciences*, 3(4), 125-139.

- Rakodi, C. (2002). A livelihoods approach—conceptual issues and definitions. *Urban livelihoods: A people-centred approach to reducing poverty*, 3-22.
- Rakodi, C., & Lloyd-Jones, T. (2002). Urban livelihoods: a people-centred approach to poverty reduction. London: Earthscan/DFID.
- Saunders, S. R., & Aragi, A. (2007). *Antennas and propagation for wireless communication systems*. John Wiley & Sons.
- Scoones, I. (2009). Livelihoods perspectives and rural development. *The journal of peasant studies*, 36(1), 171-196.
- Scoones, I., & Wolmer, W. (2003). Introduction: Livelihoods in crisis: Challenges for rural development in southern Africa.
- Sharma, A. (2014). Performance of Agriculture and Allied Sectors in Haryana. *Jurnal of Economic Sustainable Development*, 5(3), 39-45.
- Toner, A., Lyne, I., & Ryan, P. (2008). Reaching the promised land: can social enterprise reduce social exclusion and empower communities?. *Education, Knowledge & Economy*, 2(1), 1-13.
- Toner, A., Franks, T., Goldman, I., Howlett, D., Kamuzora, F., Muhumuza, F., & Tamasane, T. (2004). Translating sustainable livelihood into practice: A comparison of livelihoods-oriented development interventions in Tanzania, South Africa and Uganda. In F. Kamuzora (Ed.), *Understanding the complexities of livelihood systems for sustainable poverty reduction* (pp. 4-22). Bradford, West Yorkshire, United Kingdom: Bradford Centre for International Development
- World Bank. (2000). *World development report 2000-2001: attacking poverty*. World Bank Group.

Yamene, T. (1967). *Statistics: An Introductory Analysis*. (2<sup>nd</sup> ed.). New York: Harper and Row

Yeboah, M. A. (2008). *Gender and livelihoods: Mapping the economic strategies of porters in Accra, Ghana*. West Virginia University.

Zeller, M., & Meyer, R. L. (Eds.). (2002). *The triangle of microfinance: Financial sustainability, outreach, and impact*. Intl Food Policy Res Inst.





SECTION B: EFFECTS OF MICROCREDIT ON ECONOMIC ACTIVITIES

The following statements are on the effects of microcredit on farmers’ income, agribusiness and agricultural productivity as a result of access to microcredit from Fiagya Rural Bank Limited.

8. Please rank your views using the scale VL-VH on your level of agreement with the effects associated with access to microcredit.

Scale: VL = Very Low    L = Low    N= Neutral    H= High    VH = Very High

Statement	Scale				
	VL	L	N	H	VH
Microcredit improves my income					
Microcredit affect agribusiness					
Microcredit affect my productivity					
Microcredit affect overall economic activities					

SECTION C: EFFECTS OF MICROCREDIT OF FIAGYA RURAL BANK ON FARMERS’ HUMAN CAPITAL

9. The following statements are on the effects of microcredit on farmers’ human capital as a result of access to microcredit from Fiagya Rural Bank Limited. Please rank your views using the scale VL-VH on your level of agreement with the effects associated with access to microcredit.

Scale: VL = Very Low    L = Low    N= Neutral    H= High    VH = Very High

Statement	Scale				
	VL	L	N	H	VH

Microcredit enhanced knowledge of farmers					
Microcredit improves health care of farmers					
Microcredit helps in skills development of farmers					

10. Rate the overall effects of microcredit on farmers' human capital?

- a. Very Low [ ]   b. Low [ ]   c. Neutral [ ]   d. High [ ]   e. Very high [ ]

#### SECTION D: EFFECTS OF MICROCREDIT ON FARMERS' SOCIAL CAPITAL

11. The following statements are on the effects of microcredit on farmers' social capital as a result of access to microcredit from Fiagya Rural Bank Limited.

12. Are you a member of any association?

- a. Yes [ ]   b. No [ ]

13. What social activities do you participate?

- a. Church/mosque activities [ ]  
 b. Funerals [ ]  
 c. Parties/weddings [ ]  
 d. Association meeting [ ]  
 e. Family/community meetings [ ]

14. Rate the overall effects of microcredit on farmers' human social?

- a. Very Low [ ]   b. Low [ ]   c. Neutral [ ]   d. High [ ]   e. Very high [ ]

#### SECTION E: CHALLENGES THAT FARMERS FACE IN ACCESSING MICROCREDIT FROM FIAGYA RURAL BANK LIMITED

15. The following statements are on the challenges faced by farmers in accessing microcredit from Fiagya Rural Bank Limited. Please rank your views

using the scale 1-5 on your level of agreement with the challenges associated with access to microcredit.

Scale: SD= Strongly Disagree D = Disagree U= Undecided A= Agree

SA= Strongly Agree

Statement	Scale				
	S	D	U	A	S
	D				A
Bureaucracy in the processing of credit					
High interest rate					
Inability to provide the collateral securities in cases where they are demanded					
Difficulty in repayment of previous facility					
Untimely delivery of credit					
Credit is tied to a certain ration of savings					
The strictness of financial institutions when vetting for loans applications					

#### SECTION F: COPING STRATEGIES OF THE RESPONDENTS

16. How do you cope with the situation?

Tick as many as apply

- a. Borrowing from family/friends [ ]
- b. Selling of belongings [ ]
- c. Borrowing from microfinance [ ]
- d. Reduction in agricultural productivity [ ]
- e. Engage in petty trading [ ]